

PROJECT REALITY
(A Nonprofit Organization)

FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2005

PROJECT REALITY
(A Nonprofit Organization)
FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2005

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INDEPENDENT AUDITORS' REPORT

Board of Governors
Project Reality
Salt Lake City, Utah

We have audited the accompanying statement of financial position of Project Reality (a nonprofit organization) as of December 31, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Project Reality as of December 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2006, on our consideration of Project Reality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Wiggins & Co. P.C.

Wiggins and Co., P.C.
June 2, 2006

PROJECT REALITY
(A Nonprofit Organization)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2005

ASSETS

Current assets:

Cash and cash equivalents	\$ 483,991
Accounts receivable	397,777
Prepaid expenses	<u>32,773</u>

Total current assets 914,541

Property and equipment:

Land, buildings, and equipment (net of accumulated depreciation)	<u>357,313</u>
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Total assets \$ 1,271,854

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 93,181
Accrued liabilities	170,643
Deferred fees	2,145
Current portion long-term debt	<u>52,713</u>

Total current liabilities 318,682

Long-term debt net of current portion 213,050

Total liabilities 531,732

Net assets:

Total unrestricted net assets 740,122

Total liabilities and net assets \$ 1,271,854

The accompanying notes are an integral part of these financial statements.

PROJECT REALITY
(A Nonprofit Organization)
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005

PUBLIC SUPPORT, OTHER REVENUE, AND PROGRAM SERVICES

Public support:

United Way	\$ 84,169
Donations	<u>10,060</u>
Total public grants	<u>94,229</u>

Fees and grants from governmental agencies:

Health Department CDC	19,913
Medicaid	559,650
Salt Lake County Alcohol and Drug Abuse	1,000,605
Salt Lake County Prevention	372,291
Utah County	<u>103,461</u>
Total fees and grants	<u>2,055,920</u>

Other revenue:

Outpatient fees	876,585
Residential fees	31,536
Miscellaneous	30,908
Other client fees	2,403
Insurance reimbursement	<u>19,238</u>
Total other revenues	<u>960,670</u>

Total unrestricted support and other revenue 3,110,819

Program services:

Treatment	2,617,123
Prevention	<u>393,729</u>
Total program services (decrease in unrestricted net assets)	<u>3,010,852</u>

Net increase in unrestricted net assets 99,967

Net assets at beginning of year 640,155

Net assets at end of year \$ 740,122

The accompanying notes are an integral part of these financial statements.

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PROJECT REALITY
(A Nonprofit Organization)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Program Services</u>		<u>Total</u>
	<u>Treatment</u>	<u>Prevention</u>	<u>Program</u>
Salaries	\$ 1,283,350	\$ 210,365	\$ 1,493,715
Employee benefits	128,977	17,878	146,855
Payroll taxes, etc.	<u>115,414</u>	<u>18,872</u>	<u>134,286</u>
Total salaries and related expenses	1,527,741	247,115	1,774,856
Professional fees and contract service payments	138,655	546	139,201
Supplies	3,823	149	3,972
Telephone	6,365		6,365
Security system	1,228		1,228
Postage	166		166
Transportation	8,897	189	9,086
Conference, conventions, and meetings	22,313	4,058	26,371
Printing and publications	2,635	8,393	11,028
Utilities	9,414	916	10,330
Repairs and maintenance	28,580		28,580
Food	50,872		50,872
Patient lab and medication	221,038		221,038
Insurance	31,131		31,131
Miscellaneous	2,061		2,061
Small equipment and furniture	12,281		12,281
Staff recruitment	7,267		7,267
Supplies and support	141,953	81,018	222,971
Management services	273,740	25,702	299,442
Occupancy facilities - general	118,086	24,761	142,847
Interest			
Depreciation and amortization	<u>8,877</u>	<u>882</u>	<u>9,759</u>
Total expenses	<u>\$ 2,617,123</u>	<u>\$ 393,729</u>	<u>\$ 3,010,852</u>

The accompanying notes are an integral part of these financial statements.

<u>Support Services</u>			
<u>Supplies and Support</u>	<u>Management Services</u>	<u>Total Support</u>	<u>Total Expenses</u>
\$ 150,861	\$ 19,970	\$ 170,831	\$ 1,664,546
16,023	3,968	19,991	166,846
<u>13,251</u>	<u>1,758</u>	<u>15,009</u>	<u>149,295</u>
180,135	25,696	205,831	1,980,687
10,920	24,795	35,715	174,916
16,629	7,835	24,464	28,436
7,080	309	7,389	13,754
			1,228
186	2,438	2,624	2,790
356	186	542	9,628
448	1,475	1,923	28,294
2,915	9,325	12,240	23,268
15,183		15,183	25,513
58,985	894	59,879	88,459
			50,872
			221,038
55	46,785	46,840	77,971
	385	385	2,446
3,562	25,597	29,159	41,440
9,072		9,072	16,339
(223,978)	1,760	(222,218)	753
	(180,268)	(180,268)	119,174
(112,847)	35	(112,812)	30,035
	32,753	32,753	32,753
<u>31,299</u>	<u> </u>	<u>31,299</u>	<u>41,058</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 3,010,852</u>

PROJECT REALITY
(A Nonprofit Organization)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005

Cash flows from operating activities:	
Increase in unrestricted net assets	\$ 99,967
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation and amortization	41,058
(Increase) decrease in:	
Accounts receivable	(120,587)
Prepays and deposits	(1,547)
Other assets	2,320
Increase (decrease) in:	
Accounts payable	55,426
Accrued liabilities	40,233
Total adjustments	<u>16,903</u>
Net cash provided (used) by operating activities	<u>116,870</u>
Cash flows from investing activities:	
Purchase of land, buildings, and equipment	<u>(23,373)</u>
Net cash provided (used) by investing activities	<u>(23,373)</u>
Cash flows from financing activities:	
Proceeds from issuance of long-term debt and notes	298,831
Payments on long-term debt and notes	<u>(330,417)</u>
Net cash provided (used) by financing activities	<u>(31,586)</u>
Net increase (decrease) in cash and equivalents	61,911
Cash and equivalents, beginning of year	<u>422,080</u>
Cash and equivalents, end of year	<u>\$ 483,991</u>
Supplemental disclosure:	
Operating activities reflect interest paid of \$32,753.	

The accompanying notes are an integral part of these financial statements.

PROJECT REALITY
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Project Reality operates as a nonprofit corporation located in Salt Lake City, Utah. Their services include a treatment and prevention program for substance abuse. Services are rendered to recipients in Salt Lake and Utah counties.

Basis of Presentation

The financial statements have been prepared on an accrual basis and in conformity with generally accepted accounting principles including SFAS 117. Each program is charged for all direct labor and expenses. Indirect labor and expenses are allocated to each program by management's estimates of the value each function receives from them. The indirect cost allocation is prepared on a monthly basis.

The revenues received for operation are derived from service fees funded from federal and state agencies, county and local governments, private foundations, grants, contracts, medicaid, insurance companies, public and private donations and private individuals. The funding is restricted for the treatment and prevention of substance abuse, which is the only program and purpose of the Company. The temporarily restricted funds received from these sources are billed, based on units of service performed, to the funding sources and have been reported as unrestricted assets in the statement of financial position. The Company has also received funds, which are unrestricted from loans associated with the purchase of land, buildings, and equipment. The usage of land, buildings, and equipment and other support services are allocated to the treatment and prevention programs based on estimates by management.

Grants and Contracts

Support received under grants and contracts with the United States and local government is recorded as fees and grants from governmental agencies. Grants and contracts receivable represent amounts due for services rendered prior to year end.

PROJECT REALITY
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing Project Reality's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash Equivalents

For the purpose of the statement of cash flows, Project Reality considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Property and Equipment

Project Reality follows the practice of capitalizing all expenditures and contributions of fixed assets in excess of \$2,500. Purchased items are reported at cost and donated items are recorded at fair market value. Depreciation is computed on a straight-line basis over the estimated useful lives of five to twenty years.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Federal Income Taxes

Project Reality qualifies as a tax-exempt organization. A tax exemption determination letter was received from the Internal Revenue Service dated November 21, 1973, exempting Project Reality from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code.

PROJECT REALITY
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 2. CASH DEPOSITS

At December 31, 2005, the cash balance was \$483,991 and the bank balance was \$451,447. Of the bank balance, \$25,370 was covered by federal depository insurance. Cash deposits are not collateralized nor are they required to be by State statute.

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following grants and contracts receivable:

Salt Lake County Prevention	\$ 30,085
Salt Lake County Treatment	48,122
Medicaid	95,473
Utah County	33,871
Utah State Tax Commission	4,273
Veteran's Administration	22,998
Health Department CDC	16,355
First Step House	129,167
Salt Lake County Community Development	15,618
Various others	<u>1,815</u>
Total accounts receivable	<u>\$ 397,777</u>

NOTE 4. DEFINED CONTRIBUTION PLAN

Project Reality offers its employees a deferred compensation plan under the Internal Revenue Code Section 403(b). The plan is available to all full time employees of Project Reality. Project Reality has elected not to match contributions to the plan.

NOTE 5. CONCENTRATION

Salt Lake County and Utah County have contracts with Project Reality, which constitute a majority of the Company's revenues.

PROJECT REALITY
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 6. PROPERTY AND EQUIPMENT

Project Reality follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$2,500. Depreciation expense amounted to \$41,058 for the year ended December 31, 2005. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

<u>Description</u>	<u>Estimated life in years</u>
Building and improvements	20
Furniture and equipment	5-10

A summary of property and equipment is presented below:

	<u>Balance December 31, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2005</u>
Land	\$ 218,090	\$	\$	\$ 218,090
Buildings and improvements	500,565	15,618		516,183
Furniture and equipment	<u>173,909</u>	<u>7,755</u>		<u>181,664</u>
Total	892,564	23,373		915,937
Accumulated depreciation	<u>(517,566)</u>	<u>(41,058)</u>		<u>(558,624)</u>
Net book value	<u>\$ 374,998</u>	<u>\$ (17,685)</u>	<u>\$</u>	<u>\$ 357,313</u>

NOTE 7. DEFERRED FEES

The Company received funds to be used for services in the future in the amount of \$2,145. This will be taken into income as requests are made and approved according to the terms and restrictions attached to the funds.

PROJECT REALITY
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 8. LONG-TERM DEBT

Project Reality has the following long-term debt:

Due to a bank, original note of \$298,831 dated April 18, 2005, and secured by building and property at 154 East 700 South, Salt Lake City, Utah. Payments are due monthly with the last payment due on April 12, 2010. Interest at 8.64%.	\$ 265,763
Less current portion	<u>52,713</u>
Net long-term debt	<u>\$ 213,050</u>

The five-year obligations for the bank note debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 52,713	\$ 21,217	\$ 73,930
2007	57,526	16,404	73,930
2008	62,779	11,151	73,930
2009	68,510	5,420	73,930
2010	<u>24,235</u>	<u>444</u>	<u>24,679</u>
	<u>\$ 265,763</u>	<u>\$ 54,636</u>	<u>\$ 320,399</u>

NOTE 9. LEASE AGREEMENTS

Project Reality leases office equipment under an operating lease. The contract requires a minimum of 60 monthly payments of \$548 which began June 15, 2003, and the last payment due May 13, 2008.

The following is a list of the future minimum payments required under the lease agreement.

	<u>Operating Leases</u>	<u>Total</u>
Year ending December 31,		
2006	\$ 6,576	\$ 6,576
2007	6,576	6,576
2008	<u>2,740</u>	<u>2,740</u>
Total	<u>\$ 15,892</u>	<u>\$ 15,892</u>

PROJECT REALITY
(A Nonprofit Organization)

MANAGEMENT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2005

PROJECT REALITY
(A Nonprofit Organization)
MANAGEMENT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2005

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REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Governors
Project Reality
Salt Lake City, Utah

We have audited the financial statements of Project Reality (a nonprofit organization) as of and for the year ended December 31, 2005, and have issued our report thereon dated June 2, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Project Reality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Project Reality's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wiggins & Co. P.C.

Sandy, Utah

June 2, 2006



INDEPENDENT AUDITORS' REPORT ON STATE LEGAL COMPLIANCE

Board of Governors
Project Reality
Salt Lake City, Utah

We have audited the financial statements of Project Reality (a nonprofit organization) for the year ended December 31, 2005, and have issued our report thereon dated June 2, 2006. As part of our audit, we have audited Project Reality's compliance with the requirements of the provider contract determined to be a major State assistance program as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2005. Project Reality received the following major State assistance programs from the State of Utah:

Alcohol and Drug Abuse and Mental Health Services Block
(Salt Lake County Department of Health and Human Services)
Utah State Department of Social Services, Medicaid Assistance
Utah County Health Department Substance Abuse Treatment
Utah State Department of Human Services
(Division of Child and Family Services and Central Region)

Project Reality also received the following nonmajor grant, which is not required to be audited for specific compliance requirements (however, these programs were subject to test work as part of the audit of Project Reality financial statements):

Utah State Department of Health

The management of Project Reality is responsible for its compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Project Reality's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Project Reality complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended December 31, 2005.

Wiggins & Co. P.C.

Sandy, Utah
June 2, 2006

PROJECT REALITY
(A Nonprofit Organization)

SINGLE AUDIT REPORTS

FOR THE YEAR ENDED DECEMBER 31, 2005

**PROJECT REALITY
(A Nonprofit Organization)
SINGLE AUDIT REPORTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133 AND AUDITORS' REPORT
ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Board of Governors
Project Reality
Salt Lake City, Utah

Compliance

We have audited the compliance of Project Reality (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. Project Reality's major federal programs are identified in the schedule of expenditures of federal awards. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Project Reality's management. Our responsibility is to express an opinion on Project Reality's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Project Reality's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Project Reality's compliance with those requirements.

In our opinion, Project Reality complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

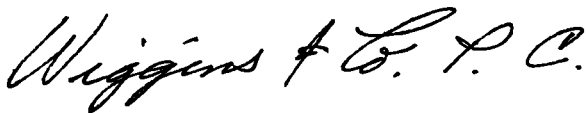
The management of Project Reality is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Project Reality's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Project Reality as of and for the year ended December 31, 2005, and have issued our report thereon dated June 2, 2006. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Sandy, Utah
June 2, 2006

PROJECT REALITY
(A Nonprofit Organization)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT EXPENDITURES		
		FEDERAL	STATE/ COUNTY	TOTAL
<u>Department of Health and Human Services</u>				
Passed through Salt Lake County				
Division of substance abuse:				
Substance abuse prevention				
Treatment block grant:				
Treatment 2004-2005	93.959*	\$ 206,541	\$ 283,358	\$ 489,899
Treatment 2005-2006	93.959*	132,987	182,446	315,433
Prevention 2004-2005	93.959*	133,572	46,931	180,503
Prevention 2005-2006	93.959*	119,724	42,065	161,789
Substance Abuse SICA:				
SICA 2004-2005	92.230	<u>22,200</u>	<u>7,800</u>	<u>30,000</u>
Total Salt Lake County		<u>615,024</u>	<u>562,600</u>	<u>1,177,624</u>
Passed through Utah County				
Division of Human Services:				
Substance abuse prevention				
Treatment block grant:				
Treatment 2004-2005	93.959*	23,639	16,427	40,066
Treatment 2005-2006	93.959*	<u>37,403</u>	<u>25,992</u>	<u>63,395</u>
Total Utah County		<u>61,042</u>	<u>42,419</u>	<u>103,461</u>
Passed through Utah State				
Department of Health				
CDC Funds	93.940	<u>19,913</u>	<u>-0-</u>	<u>19,913</u>
Total health and human services		<u>19,913</u>	<u>-0-</u>	<u>19,913</u>
Total major grants	93.959*	653,866	597,219	1,251,085
Total nonmajor grants		<u>42,113</u>	<u>7,800</u>	<u>49,913</u>
Total federal awards		<u>\$ 695,979</u>	<u>\$ 605,019</u>	<u>\$ 1,300,998</u>

*Major grants (cluster)

PROJECT REALITY
(A Nonprofit Organization)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Project Reality and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Revenue is recognized when service is performed.

PROJECT REALITY
(A Nonprofit Organization)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2005

SECTION I — Summary of Auditors' Results

Financial Statements

1. The type of auditors' report issued was unqualified.
2. The Internal Control over financial reporting:
Material weaknesses identified? _____ yes X no
Reportable conditions identified
not considered to be material weaknesses? _____ yes X none reported
Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

1. The Internal Control over major programs:
Material weaknesses identified? _____ yes X no
Reportable conditions identified
not considered to be material weaknesses? _____ yes X none reported
2. The type of auditors' report issued on compliance for major programs was unqualified.
3. Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? _____ yes X no
4. Identification of major programs:

CFDA Numbers

93.959

Name of Federal Program or Cluster

Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish
between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

X yes _____ no

PROJECT REALITY
(A Nonprofit Organization)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2005

SECTION II — Financial Statement Findings

This section identifies the reportable conditions, material weakness, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*. There were no findings and no matters to report under this section for financial statement findings. Accordingly, no such matters are reported.

SECTION III — Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs noted during our audit. Accordingly, no such matters are reported.